



**Director of
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SITUATION REPORT

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IRAN

Ayatollah Beheshti said [redacted] that he thinks most Islamic Assembly members want to try about 15 hostages and give long prison terms to three or four, who would be released after one or two years. [redacted]

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Beheshti believes the Assembly would order the release of most of the hostages soon after it begins debating the issue, but he gave no indication that the debate would begin quickly. Beheshti has carefully taken an ambiguous public position on the issue [redacted]

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[redacted] We believe he still sees the hostages primarily in terms of the continuing power struggle in Tehran and does not want to endanger his position by appearing conciliatory. [redacted]

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Beheshti expressed increasing concern about the deteriorating economic situation in Iran and the strength of the pro-Soviet Tudeh Party. The government recently began a crackdown on the Tudeh apparently to preempt any challenge. The Ayatollah also indicated that several senior Iranian clerical leaders have begun studying contingency plans to prepare for the post-Khomeini era, which he regards as prudent given Khomeini's advanced age. [redacted]

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[redacted]

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Soviet Relations

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Iranian-Soviet relations deteriorated further yesterday, as Tehran formally demanded that the USSR agree within 48 hours to close its consulate at Rasht in northern Iran. According to Tehran radio, Iran also demanded that Moscow within one week conduct its consular activities only at Esfahan in central Iran [redacted]

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[redacted] The USSR had publicly said it would close the Esfahan facility. [redacted]

[redacted]

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[redacted]

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Stanislaw Kania

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BRIEFS AND COMMENTS

POLAND: New Party Chief

The appointment of Stanislaw Kania, Poland's top security official, as party leader could lead to renewed conflict with the workers if they perceive that the party is now unlikely to fulfill the recent strike agreements.

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Although little is known about Kania, available information indicates that he favors unspecified drastic measures to correct Poland's economic problems, a hard line toward dissidents, and stringent containment of Church activity and influence. He strongly opposed the visit of Pope John Paul II to Poland and has argued against giving the Church greater access to the media.

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Kania, 53, has worked in the party apparatus since the 1950s and for the past 10 years has been responsible for military and security affairs. He added Church affairs to his portfolio in the mid-1970s and in recent weeks has been overseeing party organizational matters.

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There is a strong possibility that Moscow had a hand in Gierek's replacement. The Soviets expressed support for Gierek during the strikes, but once the settlement was reached last weekend they began dropping hints of their dissatisfaction with him and the concessions he granted the strikers. The Soviet press has failed to mention Gierek's name since 31 August in the numerous articles it has published on the situation in Poland.

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The choice of Kania as first secretary, whether promoted by the Soviet leaders or not, has to please them. The image of firmness and orthodoxy that he will bring to the top party post is something Moscow has been calling for repeatedly in its recent press commentary. The details of Kania's relationship with the Kremlin are unknown; but as security chief he would have had close contact with Soviet KGB head and Politburo member Andropov and is presumably well known to the Soviets.

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INTERNATIONAL: Law of the Sea Negotiations

Negotiators at the recent Geneva session of the Law of the Sea Conference have broken the longstanding deadlock over mining manganese nodules on the international seabed and have produced a "Draft Convention on Law of the Sea, Informal Text."

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The compromise by the Western industrialized states and the developing countries features a voting system in the 36-member Executive Council of the International Seabed Authority that would decide critical issues by consensus giving the industrial Western nations protection against initiatives of the developing-country majority--who are basically hostile to private seabed mining. There remains, however, the thorny problem of the so-called "Brazil clause," a draft provision calling for the mandatory sale of mining technology to developing countries. The developing countries' opposition to US seabed mining legislation was pro forma and did not block the work of the Geneva session.

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The conference earlier had reached general agreement on unimpeded naval and commercial navigation through international straits and archipelagoes and recognized exclusive coastal state jurisdiction over the natural resources of the 200-mile economic zone and continental shelf.

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The major nonseabed issues remaining to be resolved are delimitation of maritime boundaries and determination of which entities may be parties to the Law of the Sea Treaty. The latter issue centers on whether liberation movements and regional economic organizations such as the European Community will be allowed to ratify the Treaty.

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TURKEY: Foreign Minister Ousted

Parliament's decision yesterday to oust Turkey's pro-Western Foreign Minister will tend to weaken further Prime Minister Demirel's hold on power. Demirel announced earlier this week that he would not consider the ouster of the Foreign Minister to be a vote of no-confidence, but censure motions are pending against other ministers, and the ouster of the Foreign Minister can only embarrass Demirel. The National Salvation Party--which only recently withdrew its informal backing of Demirel's minority government--sponsored the censure motion and mustered support from the opposition Republican People's Party, some independents, and a small leftist party. Any agreement between the National Salvation Party and Republican People's Party to topple the government, however, would require extensive negotiations, in view of their ideological differences and the strains that an alliance would cause within two parties.

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EGYPT: Reaction to Meat Ban

President Sadat's month-long ban on the slaughter and sale of meat announced last Monday, intended to demonstrate his resolve to deal with rising food prices, initially was well received by Egyptians, but the public is becoming skeptical.

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Egyptians note that few can afford meat and that the ban does not adequately address the inflation problem. Educated Egyptians reportedly are questioning the economic soundness of the measure and believe it will only contribute to higher prices for meat substitutes.

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The government is working hard to increase supplies of chicken, eggs, fish, and other meat substitutes to ease pressures on prices and discourage hoarding. Sadat's action presumably also is intended to ensure that adequate supplies of meat are available in mid-October for the Id al-Adha feasting.

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BOLIVIA: Party Talks With Junta

Former President and Nationalist Democratic Action Party leader Hugo Banzer reportedly is negotiating with the junta about his party's possible participation in the government. The military government apparently believes the addition of civilians to the cabinet could provide the appearance of legitimacy to help secure the international acceptance it now lacks. Banzer's party reportedly had earlier rejected overtures to participate until domestic turmoil had subsided, but Banzer may now be attempting to lay the groundwork for an eventual return to power.

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JAMAICA: Debt Payments Postponed

Western commercial bankers, reversing their earlier stand, are offering Jamaica a two-month postponement of principal repayments on \$450 million in privately guaranteed debt. Added to the \$55 million in taxes the bauxite companies are prepaying, the debt delay may allow Jamaica to avert a foreign exchange crisis before the October elections. Even with \$110 million promised to Jamaica after the election by the Venezuelan-Mexican oil financing facility, the country's severe foreign payments problems will almost certainly require continuing the repayment moratorium and eventual rescheduling of most of Jamaica's \$1.3 billion in public and publicly guaranteed foreign debt.

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